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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X]QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-17840

HANDEX ENVIRONMENTAL RECOVERY, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-2941704
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 Campus Drive, Morganville, New Jersey 07751
(Address of principal executive offices)
(Zip Code)

908/536-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes _____ No _____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of common stock outstanding at April 30, 1992 7,040,212

PROCESSED BY
MAY 19 1992

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THE TOTAL NUMBER OF PAGES IN THIS DOCUMENT IS 13.
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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

March 31, 1992 and December 31, 1991

Assets	March 31, 1992 (unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 145,080	1,426,824
Marketable securities	12,501,000	9,351,000
Accounts receivable, net	24,110,343	26,497,522
Inventories	229,206	197,984
Refundable income tax	690,427	1,245,825
Prepaid expenses and other current assets	1,422,770	635,897
Total current assets	39,098,826	39,355,052
Property, plant and equipment, net	9,500,685	9,437,385
Other non-current assets	406,670	243,566
Intangible assets	1,524,695	1,535,162
	$50,530,876	50,571,165

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

March 31, 1992 and December 31, 1991

Liabilities and Stockholders' Equity	March 31, 1992 (unaudited)	December 31, 1991
Current liabilities:		
Current installments of long-term obligations	$ 31,707	40,915
Accounts payable	1,561,108	2,762,495
Accrued expenses	2,429,815	2,296,304
Total current liabilities	4,022,630	5,099,714
Long-term obligations, excluding current installments	13,292	17,004
Deferred taxes	422,279	413,886
Stockholders' equity:		
Preferred stock, without par value, 2,000,000 shares authorized, no shares issued	---	---
Common stock, $.01 par value, 15,000,000 shares authorized; issued 7,040,212 shares in 1992 and 7,039,712 shares in 1991	70,402	70,397
Additional paid-in capital	24,116,313	24,109,168
Retained earnings	21,885,960	20,860,996
Total stockholders' equity	46,072,675	45,040,561
	$50,530,876	50,571,165

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

Three Months ended March 31, 1992 and 1991

(Unaudited)

	1992	1991
Total operating revenues	$15,591,072	14,067,569
Subcontractor costs	2,880,489	2,972,632
Net operating revenues	12,710,583	11,094,937
Cost of net operating revenues	7,909,591	6,036,461
Gross profit	4,800,992	5,058,476
General and administrative expenses	3,163,807	2,492,894
Operating income	1,637,185	2,565,582
Other income (expense):		
Interest expense	(2,273)	(61,777)
Interest income	130,245	143,488
Other	(36,993)	(103,050)
	90,979	(21,339)
Income before income taxes	1,728,164	2,544,243
Provision for income taxes	703,200	1,041,267
Net income	1,024,964	1,502,976
Net income per share	$ .15	.22
Weighted average number of shares outstanding	7,040,185	6,823,462

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the Three Months ended March 31, 1992 and 1991

(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net income	$1,024,964	1,502,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	718,540	650,281
(Gain) loss on sale of equipment	(12,000)	417
Deferred taxes	8,393	36,354
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	2,387,179	(761,250)
Increase in inventories	(31,222)	(16,079)
Increase in prepaid expenses and other current assets	(786,873)	(204,764)
Decrease in refundable income tax	555,398	-
Increase in other assets	(4,354)	(2,291)
(Decrease) increase in accounts payable	(1,201,387)	141,107
Increase in accrued expense and income taxes payable	133,511	321,121
Net cash provided by operating activities	2,792,149	1,667,872
Cash flows from investing activities:		
Purchase of marketable securities, net	(3,150,000)	-
Additions to property, plant and equipment	(759,373)	(869,427)
Investment in captive insurance group	(158,750)	-
Net cash used in investing activities	(4,068,123)	(869,427)
Cash flows from financing activities:		
Proceeds from issuance of common stock	7,150	16,243
Proceeds from debt obligations	-	6,353,154
Principal payments on debt obligations	(12,920)	(7,105,333)
Net cash used in financing activities	(5,770)	(735,936)
Net (decrease) increase in cash and cash equivalents	(1,281,744)	62,509
Cash and cash equivalents at beginning of period	1,426,824	2,191,554
Cash and cash equivalents at end of period	$ 145,080	2,254,063
Supplemental disclosure of cash flow information		
Cash was paid for:		
Interest	$ 2,273	89,077
Income taxes	$ 139,769	415,268

See accompanying notes to condensed consolidated financial statements.

HANDEX ENVIRONMENTAL RECOVERY, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 1992 and 1991

Note 1 In the opinion of management the accompanying unaudited financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of the Company at March 31, 1992 and the results of operations for the three month periods ended March 31, 1992 and 1991. The statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the year ended December 31, 1991.

Note 2 The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". This statement, which mandates the asset and liability method for computing deferred income taxes, is effective for fiscal years beginning after December 15, 1992. The Company has determined that the impact of this new standard on the consolidated financial statements will not be material.

Note 3 Marketable securities. Funds retained for future use in the business are temporarily invested in tax-exempt bonds and municipal funds. These investments are carried at cost which approximates market value.

Note 4 Cash and cash equivalents. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Note 5 Due to the reduced availability and increasing cost of liability insurance, the Company purchased an interest in a trade association captive insurance group and obtained liability insurance coverage. This required the company to purchase shares of stock of a holding company that owned the captive insurance group for a total subscription price of $476,250. In accordance with the subscription agreement, the amount of $158,750 was paid in cash and is reflected in the accompanying financial statements in non-current assets. The remaining balance is secured by an irrevocable letter of credit. As of March 31, 1992, there have not been any draws against the letter of credit.

Note 6 On March 25, 1991, the Company paid a five-for-four stock split in the form of a 25% stock dividend to stockholders of record on March 15, 1991. All references to the number of shares of common stock and per share data in the accompanying financial statements have been adjusted to give retroactive effect to the stock split.

PART I: FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Net operating revenues include fees for services provided directly by the Company and fees for arranging for subcontractors' services, as well as proceeds from the rental and sale of equipment. The Company, in the course of providing its services, routinely subcontracts for outside services such as soil cartage, laboratory testing and other specialized services. These costs are generally passed through to clients and, in accordance with industry practice, are included in total operating revenues. Because subcontractor services can change significantly from project to project, changes in total operating revenues may not be truly indicative of business trends. Accordingly, the Company views net operating revenues, which is total operating revenues less the cost of subcontractor services, as its primary measure of revenue growth.

Cost of net operating revenues includes professional salaries, other direct labor, material purchases and certain direct and indirect overhead costs. General and administrative expenses include management salaries, training expenses and clerical and administrative overhead.

During 1992, several trends continued to develop which the Company believes will have a direct impact on its future results of operations. The Company believes that expenses for administration, computerization, marketing and engineering and development will increase as a percentage of net operating revenues during future fiscal years. Administrative costs will likely increase as a result of the increasing desire of the Company's customers for more frequent and detailed information concerning the status of their recovery projects. An increase in the Company's marketing and engineering and development costs will likely result from the combined effects of increased competition and technological developments in the environmental services industry.

The Company's customers have become increasingly cost conscious during recent periods. This cost consciousness has manifested itself in many ways which management believes have affected, and will continue to affect, the Company's results of operations. To date, the most significant manifestations of this cost consciousness have been an "unbundling" of services traditionally provided by the Company as part of its full-service approach and an increasing preference on the part of customers to purchase, rather than lease, remediation equipment. Some of the Company's customers have started to purchase certain services, such as laboratory services, which have traditionally been provided by the Company, from other contractors. In addition, revenues derived from the leasing of equipment have declined significantly, while revenues from the sale of equipment have increased from $193,000 during the first qurter of 1991 to $652,000 during the first quarter of 1992. However, the Company anticipates that the long term result of increased purchases of equipment by customers will be a reduction in revenues realized from both the sale and leasing of equipment.

The cost consciousness of the Company's customers has also begun to manifest itself in the manner in which the Company charges for its services. Traditionally, the Company has billed customers for its services on a time and materials basis. However, customers are now requiring strict adherence to "not to exceed" limitations contained in contracts for projects billed on this basis. Moreover, the Company is experiencing a significant increase in customer demands for competitive bidding and fixed price contracts, and is currently involved in bidding on several major projects. Management believes that these approaches to its charges for services will soon become the manner in which most of the Company's business is conducted.

The Company's quarterly results may fluctuate from period to period. Among the principal factors influencing quarterly variations are clients' financial performances, weather, which may limit the amount of time Company professional and technical personnel have in the field; the addition of new professionals who require training and initially bill a lower percentage of their time; the timing of receipt of discharge and other permits necessary to install dewatering and recovery systems; and the opening of new offices, which initially have higher expenses relative to revenues than established offices.

On March 25, 1991, the Company paid a five-for-four stock split in the form of a 25% stock dividend to stockholders of record on March 15, 1991.

RESULTS OF OPERATIONS

NET OPERATING REVENUES

The Company's net operating revenues increased by $1,616,000 or 14.6% for the first quarter of 1992 when compared to the same period in the prior year. The overall increase in net operating revenues was assisted by the contribution of two subsidiaries, both opened during the third quarter of 1991. Handex of Illinois and Handex of the Carolinas contributed over $485,000 of the Company's net operating revenues for the first quarter of 1992. On a comparable basis, net operating revenues increased $1,130,000 or 10.2%. Performance varied by geographic location. Net operating revenues at the Company's Florida, HEM and New Jersey subsidiaries increased 36.5%, 27.5% and 14.7% respectively. However, net operating revenues decreased by 2.0% and 16.1% at the Company's Maryland and New England subsidiaries, respectively.

While net operating revenues increased during the period, the total increase fell short of Company expectations. The Company believes this shortfall was the result of expenditure reduction caused by the lower profits of oil industry clients, the direct procurement of services previously provided by or through the Company and the discretionary timing element of certain environmental remediation expenditures.

COST OF NET OPERATING REVENUES

Cost of net operating revenues for the first quarter of 1992 increased by $1,873,000 or 31.0% compared to the first quarter of 1991. As a percentage of net operating revenues, cost of net operating revenues for the first three months of 1992 increased to 62.2% versus 54.4% for the first three months of 1991. The increase in cost of net operating revenues reflects greater employee expenses incurred in order to service the actual and anticipated but unrealized higher level of net operating revenues, addition of personnel to existing benefit programs, costs associated with new, existing or upgraded facilities or equipment in New Jersey, Pennsylvania, Maryland, Florida, New England, Illinois and North Carolina, and the purchase of materials and supplies to support current and anticipated business levels. Also contributing were higher depreciation costs due to capital acquisition programs in the first quarter of 1992 and during 1991, and increases in insurance expense reflecting the increased number of employees.

GROSS PROFIT

Gross profit for the first quarter of 1992 decreased $257,000 or 5.1% when compared to the same period in 1991. As a percentage of net operating revenues, gross profit for the first quarter decreased to 37.8% from 45.6% in 1991. The decrease in gross profits was primarily attributable to increased employee expenses incurred to service an anticipated higher level of net operating revenues that did not materialize during the quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the first quarter of 1992 increased $671,000 or 26.9% compared to the same period in the prior year. As a percentage of net operating revenues, general and administrative expenses rose to 24.9% in the first quarter of 1992 from 22.5% in the first quarter of 1991. The increase was attributable to costs associated with the Company's growth in personnel, physical facilities and less than expected revenue level.

OTHER INCOME/EXPENSE

Interest expense decreased from $62,000 in the first quarter of 1991 to $2,000 in the first quarter of 1992. As a percentage of net operating revenues, interest expense declined from 0.6% in the first quarter of 1991 to less than 0.1% in the first quarter of 1992. The decrease in interest expense was the result of the absence of borrowing from the Company's revolving credit facility during the quarter. The last borrowing from this facility was paid in full in June 1991.

Interest income decreased to $130,000 in the first quarter of 1992 from $143,000 for the first quarter of 1991. As a percentage of net operating revenues, interest income in the first quarter of 1992 declined to 1.0% of net operating revenues from 1.3% in the same period a year ago. The decrease in interest income during the first quarter of 1992 was attributable to lower interest rates compared to the same period last year.

Other expenses for the first quarter of 1992 decreased to $37,000 from $103,000 in the first quarter of 1991. As a percentage of net operating revenues, other expenses for the first quarter of 1992 declined to 0.3% compared to 0.9% in the same period in 1991. The decrease in the first quarter of 1992 was attributable to a lower provision for litigation costs and lower pre-opening costs associated with new offices.

INCOME TAXES

The provision for income taxes for the first quarter of 1992 was 40.7% of income before income taxes versus 40.9% for the first quarter of 1991.

NET INCOME

Net income for the first quarter of 1992 decreased $478,000 or 31.8% compared to the same period in 1991. As a percentage of net operating revenues, net income for the first quarter of 1992 declined to 8.1% from 13.5% in the same period a year earlier. The decline was due to the combination of a higher cost structure and a lower than expected increase in net operating revenues.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992, the Company's working capital was $35,076,196 and its cash, cash equivalents and short-term investments totaled $12,646,080. These figures reflect a portion of the proceeds of the Company's initial public offering on June 29, 1989 and the Company's public offering on June 22, 1990. Working capital at March 31, 1992 reflected an increase of $820,858 from $34,255,338 at December 31,1991. During the first quarter of 1992, the Company satisfied its working capital needs primarily through cash generated by operations. During the first quarter of 1992, the Company's cash flow from operating activities was $2,792,149, compared to $1,667,872 for the first quarter of 1991. The improvement in the Company's cash flow resulted primarily from a $2,387,179 decrease in accounts receivable, which was largely a consequence of more aggressive collection efforts. The Company also has available a $5,500,000 unsecured revolving credit facility with a commercial bank. Amounts borrowed under this facility bear interest at the bank's prime rate (6.5% at march 31, 1992). The Company had no borrowing under this facility during the first quarter of 1992.

The full service approach to the Company's hydrocarbon recovery business and its continuing expansion require the Company to make substantial capital expenditures for machinery and equipment, and to incur costs associated with the establishment of new office locations and the hiring and training of new personnel. The Company intends to continue to expand its operations during 1992. However, in order to maintain its strong working capital position, the Company anticipates reducing certain planned increases in expenses in response to the anticipated reduction in its business from one of its major customers and the effect of the general economic slowdown. The Company intends to accomplish these expense reductions primarily by eliminating certain planned personnel additions during the fiscal year, as well as certain purchases of capital equipment. During the 1992 quarter, the Company spent approximately $1,000,000 on capital equipment and anticipates spending up to $2,100,000 during 1992.

Management believes that current cash and cash equivalents together with cash generated by operations, and the funds available under its revolving credit facility will provide the liquidity necessary to support its current and anticipated operations and anticipated capital expenditures through the end of 1993.

Form 10Q - Part II: Other Information
EXHIBIT INDEX

Item 6. Exhibits

Exhibit Number	Description of Documents
3.1	Amended Certificate of Incorporation of the Registrant*
3.2	By-Laws of the Registrant*
4.1	Specimen Certificate for Shares of Common Stock, $.01 par value, of the Registrant*
4.2	Unsecured Revolving Loan Agreement**
4.3	Working Capital Line of Credit Note**
15.0	Letter from Independent Certified Public Accountants***

* Incorporated herein by reference to the appropriate exhibits to the Registrant's Registration Statement on Form S-1 (File No. 33-28798).

** Incorporated herein by reference to the appropriate exhibit to the Registrant's Quarterly Report or Form 10-Q for the period ended June 30, 1990.

*** Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

HANDEX ENVIRONMENTAL RECOVERY, INC.
(Registrant)

Date: 5/14/97

By: _____
John T. St. James
(Duly authorized officer and
Principal Financial Officer)

EXHIBIT 15.0

KPMG Peat Marwick

Certified Public Accountants

1600 National City Center
Cleveland, OH 44114

FORM 10-Q, PART II
Item 6
Exhibit 15.0

The Board of Directors
Handex Environmental Recovery, Inc.
and Subsidiaries

We have reviewed the condensed consolidated balance sheet of Handex Environmental Recovery, Inc. and subsidiaries as of March 31, 1992, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 1992 and 1991 in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Handex Environmental Recovery, Inc. and subsidiaries as of December 31, 1991, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 1992, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1991, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG Peat Marwick

Cleveland, Ohio
May 1, 1992